

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 17-16
)
The Application of the Guam Power)
Authority Requesting Approval of the) **ORDER**
Performance Management Contract)
(PMC) for the Management, Operation)
and Maintenance of the GPA Cabras 3&4)
Power Plants)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Application of the Guam Power Authority Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Cabras 3&4 Power Plants.¹
2. The Application requests a 3-month extension of the Performance Management Contract between GPA and Korea East-West Power (KEWP).²

BACKGROUND

3. Korea East-West (KEWP) is currently GPA's Performance Management Contractor for Cabras Units 3&4. The initial 5-year term of the contract commenced on July 1, 2010 to June 30, 2015. The contract provides for renewal by GPA, at its election, for up to a 5 year term.³
4. GPA has previously extended its PMC with KEWP, after the initial five year term, for periods of 3, 6, and 15 months.⁴
5. On August 31, 2015, there was a major explosion at the Cabras Units 3 & 4. The Units have not been operational since that date and are not available for dispatch.

¹ GPA Application Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Cabras 3&4 Power Plants, GPA Docket 17-16, filed November 29, 2016.

² Id. at p. 1.

³ PUC Counsel Report, GPA Docket 94-04 [the Application of Guam Power Authority to Approve the Performance Management Contract (PMC) for Cabras 3&4] dated April 26, 2010 at p. 2.

⁴ PUC Order, GPA Docket 15-25 dated December 10, 2015 at p. 1.

6. Since the explosion, the activities at the plant have mainly consisted of roof demolition and plant preservation.⁵ GPA has indicated that Cabras Unit No. 4 is likely irreparable; there is no assurance that Cabras Unit No. 3 will be restored. GPA's stated goal and preference in its new generation plan is to replace Units 3 and 4 with new generation.⁶
7. Although GPA does not view Cabras Units 3 & 4 as part of its generation future, it continues to expend sums on those plants. Now GPA seeks to extend the KEWP PMC for an additional 3 months. The Guam Consolidated on Utilities, in Resolution No. 2016-71, approved the 3 month extension at a total contract extension cost of \$382,173.44 (over \$127,391 per month).⁷
8. The monthly PMC includes a "fixed management fee" of \$80,747.48 per month and a "preservation management services cost" of \$46,643.66 per month.⁸

DETERMINATIONS

9. The PUC recently authorized GPA, through KEWP, to retain a contractor, Belfor USA, for Cabras No. 3 & 4 Plant and Engine Cleaning at a cost of \$4,840,538.00.⁹ In addition, GPA through KEWP, was authorized to retain the services of Royce Power Engineering Ltd. for Cabras No. 4 Engine and Equipment Removal at a cost of \$5,996,435.00.¹⁰
10. GPA contends that it is critical to continue the services of KEWP "to provide valuable expertise and support in areas such as Engineering Assessment, Technical Services, Program Management, and related tasks..."¹¹
11. On December 22, 2016, PUC Counsel sent GPA various "Requests for Information", which sought to explore the rationale for the proposed contract extension. Copies of

⁵ PUC Order, GPA Docket 15-21, dated October 28, 2015, at p. 3.

⁶ PUC Order, GPA Docket 15-05, dated October 29, 2015.

⁷ Guam Consolidated Commission on Utilities Resolution No. 2016-71, Authorizing Management of the Guam Power Authority to Extend the Performance Management Contract for the Cabras No. 3 Power Plant, dated November 22, 2016.

⁸ Id. at p. 2.

⁹ PUC Order, GPA Docket 17-12, dated November 28, 2016.

¹⁰ PUC Order, GPA Docket 17-13, dated November 28, 2016.

¹¹ CCU Resolution No. 2016-71, dated November 22, 2016.

the Requests for Information are attached to the PUC Counsel Report dated December 28, 2016, as Exhibit "1".

12. Late on December 27, 2016, GPA filed its Responses to the Requests for Information. The responses are attached to the PUC Counsel Report dated December 28, 2016, as Exhibit "2".
13. Counsel's Report lists numerous concerns and reservations concerning the GPA request to extend the PMC of KEWP. The Commissioners have duly considered and noted those concerns.
14. GPA is planning to pay KEWP a monthly "fixed management fee" of \$80,747.48. This amount is slightly less than the amount GPA has paid KEWP for the last fifteen month extension (\$87,769 per month.)¹²
15. GPA also intends to pay KEWP a monthly fee "Preservation Management Services", which is in addition to the fixed management fee. In its Response to RFI No. 10, this fee amounts to an additional fee of \$46,643.00 per month. This means that the total monthly payment to KEWP will be \$127,390.48.
16. The "source" of funds for both the fixed management fees and the preservation management services is the \$50M in unallocated insurance funds as an advance against its insurance policy coverage. GPA Responses to RFIs 12 and 13.
17. The Commission is concerned that GPA is requesting a three month extension, even though it anticipates extending the PMC contract "until the Insurance Settlement is reached, which is expected by the end of 2017."¹³ GPA should be required to develop a long range plan for the PMC which extends through 2017.
18. GPA should be ordered to provide its plan, including all costs, duration of the proposed PMC, and scope of work within forty-five days from the date of this Order.
19. The cost of the proposed services by KEWP as PMC is too high and should be reduced. KEWP is no longer performing PMC services regarding plant management, but is undertaking plant preservation and caretaking services.

¹² PUC Counsel Report, GPA Docket 15-25, dated December 7, 2015, at p. 3-4.

¹³ GPA Response to PUC RFI No. 2.

ORDERING PROVISIONS


After review of the record herein, including GPA's Application for Approval of the PMC for the Cabras3&4 Plants, the PUC Counsel Report, and the GPA Responses to PUC's Requests for Information, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS that:

1. A two-month extension of the PMC between GPA and KEWP for the management, operation and maintenance GPA's Cabras3&4 Plants is hereby approved. The PMC may be extended from January1, 2017, through February 28, 2017.
2. GPA is authorized to expend a total amount of no more than \$100,000.00 per month for the two month extension of the Cabras 3&4 PMC. This amount shall include both fixed management fees and preservation management services.
3. Within 45 days from the date of this Order, GPA is required to provide a plan to the PUC indicating the total cost and duration of the PMC with KEWP. The plan should indicate the time period for which the PMC is extended, all monthly costs for the PMC with specific details, and the proposed scope of work.
4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Order
GPA's Extension of the PMC
For Cabras 3&4
GPA Docket 17-16
December 29, 2016

Dated this 29th day of December, 2016.

Jeffrey C. Johnson
Chairman




Rowena E. Perez
Commissioner



Michael A. Pangelinan
Commissioner

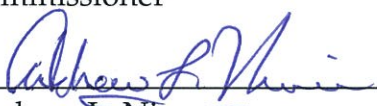
Filomena M. Cantoria
Commissioner



Joseph M. McDonald
Commissioner



Peter Montinola
Commissioner



Andrew L. Niven
Commissioner